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SUBJECT: SMALL BUSINESS OWNERS CRY FOUL OVER CITY'S EVICTION PLANS

¶1. (SBU) Summary: A running property dispute between local small-business owners and the St. Petersburg city administration has escalated, as the administration recently announced it will evict the entrepreneurs in January 2010 from a market they leased from the city in 2001. The lease expired in 2004, so the city seems within its rights to clear the property. Local prosecutors have brought criminal cases against some of the leaders of the entrepreneurs' association representing the owners; one of those leaders alleges he was beaten by city police as an intimidation tactic. That leader accuses city officials and a member of the Governor's family of seeking to drive the owners out of the market in order to gain control of the lucrative business site. End summary.

¶2. (SBU) The Khasan Market in St Petersburg opened in 2001, under a three-year lease agreement between the city and the managing company "Omi," which operates the market. The market houses scores of small business owners and their employees, and Omi claims to have invested \$17 million in infrastructure improvements to the facility. The city and Omi have been unable to agree on an extension of the lease since it expired in 2004; the market has been operating without a valid lease since then.

¶3. (SBU) The St. Petersburg city government recently announced it would evict the entrepreneurs operating out of the Khasan Market on January 15, 2010. The building reportedly will be demolished, and a new building will be built by 2011 at the city's expense. No details have been released yet regarding who will own or lease the new building, or what it will be used for.

¶4. (SBU) In a November 20 meeting with Conoffs, Grigoriy Solominskiy (a leader of the St. Petersburg Association of Small and Medium Size Businesses, as well as Omi's principal lawyer) said the market's real problems began after the owners of Omi rebuffed an "offer" from Sergey Matviyenko, son of St. Petersburg Governor Valentina Matviyenko, to buy shares in the enterprise. Solominskiy added that after Omi rejected Matviyenko's offer, the market began to face "pressure" from the city government.

¶5. (SBU) Solominskiy said direct pressure on the market included random police raids on shop stalls, and arbitrary criminal charges brought against shop owners. Solominskiy stated that he and Sergey Abrazheev, General Director of Omi, also were recently charged with criminal offenses. Solominskiy was charged with insulting police officers during an October 9 raid

on the market. He rejects the charge, and claims he has a videotape proving he only asked plainclothes police to identify themselves. The police refused to do so, Solominskiy claims, beating him instead and then taking him to a police station where he was formally charged.

¶6. (SBU) Solominskiy believes the criminal case against him is supported by city officials, since he is convinced his political and pro-entrepreneur activities have made him enemies within the city administration. (Note: Solominskiy was one of the founders of the Petersburg Civil Committee, a now defunct organization which previously had coordinated opposition groups' activities in the city.) He further believes that once certain city officials learned of the police charges against him, a decision was made to prosecute his case to the fullest extent of the law in order to silence, as he put it, "a politically inconvenient figure for the city administration."

¶7. (SBU) Comment. There may be less to this "David vs. Goliath" story than meets the eye. As Solominskiy freely admitted, the current commercial occupants of the business center have been using it without a valid lease for the past five years. So it appears the city would be within its rights to evict the tenants in the absence of a new lease agreement. Solominskiy's encounter with the police was captured on videotape and posted on his blog site, which we have reviewed. The footage clearly shows him being pushed to the ground - but not beaten - by one unidentified man in plainclothes before being forced into a car, after which he claims he was taken to a police station where he was then charged with insulting the police. Although there is no direct evidence of Sergey Matvienko's involvement in the market controversy, his business fortunes have certainly improved since his mother became governor of St. Petersburg.

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